

Message Text

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ACTION EUR-08

INFO OCT-01 IO-06 ISO-00 AGRE-00 STRE-00 EB-04 CIAE-00
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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 7744

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 13440

USEEC

LIMDIS

GENEVA ALSO FOR MTN

DEPARTMENT PASS AGRICULTURE AND STR ELECTRONICALLY
GENEVA PASS HATHAWAY, MCDONALD, AND STARKEY

E.O. 11652: GDS

TAGS: EAGR, ETRD, MTN, EEC

SUBJECT: MTN:US AGRICULTURAL REQUESTS AND THE EC
MEDITERRANEAN PACKAGE

REF: (A) GENEVA 10138; (B) BRUSSELS 9192;
(C) BRUSSELS 13252

1. WE HAVE HAD SEVERAL DISCUSSIONS WITH EC COMMISSION AND
ISRAELI EMBASSY OFFICIALS CONCERNING THE USG REQUEST FOR
CONCESSIONS ON FRESH ORANGES AND OTHER AGRICULTURAL PRO-
DUCTS IN THE MTN. IN ALL OF THESE DISCUSSIONS, REFERENCE
HAS BEEN MADE TO NEED OF THE EC SATISFACTORILY TO COM-
PLETE ITS MEDITERRANEAN POLICY BEFORE CONSIDERING CON-
CESSIONS TO THE U.S. ON FRESH CITRUS. GUNDELACH APPAR-
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ENTLY MADE THE SAME LINK IN HIS DISCUSSION WITH MCDONALD
ON JULY 4 (PARA 3, REF A).

2. GUNDELACH SEEMS TO BE SAYING THAT HIS CHANCES FOR
MEETING OUR REQUESTS ON THE "STRAUSS PRODUCTS" DEPEND ON
BUYING OFF ITALY AND FRANCE WITH BENEFITS FROM THE
MEDITERRANEAN PACKAGE. IN TRYING TO UNDERSTAND HIS POINT,

WE TALLIED THE RESULTS TO DATE OF THE COUNCIL'S DELIBERATIONS ON THE COMMISSION'S MEDITERRANEAN REFORM PROPOSALS. THE PROPOSALS THAT HAVE BEEN APPROVED TO DATE BY THE COUNCIL WERE REPORTED REF B. WE ESTIMATE THAT THESE CONSTITUTE ABOUT 80-90 PERCENT OF THE TOTAL PROPOSED PACKAGE. THOSE STILL TO BE RESOLVED ARE:

A. WINE - ITALY HAS REJECTED THE COMMISSION'S PROPOSALS, WHICH ARE SUPPORTED BY THE FRENCH, FOR A FLOOR PRICE SYSTEM AND OTHER PROVISIONS WHICH ITALY BELIEVES WOULD MAKE ITS WINES LESS COMPETITIVE IN THE COMMUNITY, PARTICULARLY IN FRANCE. A COMPROMISE PROPOSAL IS EXPECTED BY AUGUST 1. DELIBERATIONS ON IT MAY POSSIBLY CONTINUE THROUGH THE END OF 1978 AND SOME SOURCES IN THE COMMISSION AND COUNCIL SECRETARIAT BELIEVE A DECISION COULD BE DELAYED UNTIL 1979. THE FRENCH HAVE INDICATED THAT THEIR APPROVAL OF THE AFFORESTATION MEASURES FOR ITALY WOULD HINGE ON AN ACCEPTABLE SOLUTION OF THE WINE ISSUE.

B. AFFORESTATION - ITALY IS THE PRIME BENEFICIARY OF THIS PROPOSAL, WHICH WOULD COST 230 MILLION UA OVER FIVE YEARS. COUNCIL AGREED TO DECIDE ON THIS ISSUE BY SEPT. 30, 1978. WHILE NO SERIOUS PROBLEMS ARE ANTICIPATED, IT IS STILL POSSIBLE THAT GERMANY MAY BALK AT THE COST OF PROGRAM.

C. EXTENSION SERVICES - ITALY IS THE SOLE BENEFICIARY OF
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THIS PROPOSAL, WHICH WOULD COST 79 MILLION UA OVER 13 YEARS. COUNCIL HAS AGREED TO MAKE A DECISION BY SEPT. 30, 1978. DISCUSSION IS SCHEDULED FOR THE FIRST TIME IN THE JULY 24-25 COUNCIL OF AGRICULTURE MINISTERS. GERMANY AND THE UK OBJECT TO USING COMMUNITY FUNDS FOR THIS PURPOSE, AND SOME DIFFICULT DISCUSSIONS ARE EXPECTED. APPROVAL IS ANTICIPATED BY COMMISSION SOURCES JUST BEFORE CHRISTMAS.

D. FLOOD PREVENTION IN HERAULT, FRANCE - A PROPOSAL HAS NOT YET BEEN SUBMITTED FOR THIS PROJECT, WHICH IS ESTIMATED TO COST 10 MILLION UA OVER FIVE YEARS. FIRST DISCUSSIONS WILL TAKE PLACE IN THE SEPTEMBER COUNCIL SESSION, AND APPROVAL IS ANTICIPATED SHORTLY BEFORE CHRISTMAS.

E. IRRIGATION IN CORSICA - A PROPOSAL HAS NOT YET BEEN SUBMITTED ON THIS PROJECT WHICH WOULD COST 15 MILLION UA OVER FIVE YEARS. ACCORDING TO OUR SOURCES IN THE COUNCIL SECRETARIAT AND IN THE COMMISSION, THIS AND PROPOSAL "D", ABOVE, COULD BE POLITICALLY IMPORTANT FOR FRANCE AND ARE EXPECTED TO BE SUBMITTED TO THE COUNCIL WITHIN TWO WEEKS.

3. BICKERING BETWEEN ITALY AND FRANCE OVER WINE AND SOME OTHER ISSUES HAS OBVIOUSLY DELAYED PROGRESS ON THEM. UK AND GERMAN OBJECTIONS TO THE HIGH COST OF THE MEDITERRANEAN PACKAGE ALSO HAS INTERFERED WITH PROGRESS, AND CONTINUES TO DO SO. ON THE OTHER HAND, THE UK HAS TAGGED THE WINE GALLON/PROOF GALLON ISSUE AS A MAJOR CONCESSION IN THE MTN. AND, SIGNIFICANTLY, TO THE BEST OF OUR KNOWLEDGE NEITHER GERMANY NOR THE UK HAS OPPOSED INCREASING ISRAELI TARIFF PREFERENCES FOR FRESH ORANGES NOR THE US REQUEST FOR A ZERO DUTY.

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4. THIS TANGLED SKEIN PROBABLY IS WHAT GUNDELACH REFERRED TO IN HIS COMMENT PER PARA 3 REF A. BUT MOST OF THE UNFINISHED PART OF THE MED PACKAGE HAS ALREADY BEEN MORE OR LESS PROMISED TO THE FRENCH AND ITALIANS, AND IT SEEMS TO US THAT IT WOULD BE DIFFICULT FOR GUNDELACH TO SELL THEM AS A QUID PRO QUO FOR CONCESSIONS TO THE U.S. ON THE OTHER HAND, CONSIDERATION OF THESE MEDITERRANEAN ISSUES DOES PROVIDE A FRAMEWORK FOR WORKING IN MTN ISSUES. BUT NOTE THAT WHILE A CONCESSION TO FRANCE ON WINE MIGHT BRING PROGRESS FOR US ON TOBACCO AND CITRUS, IT WOULD BE AT ITALY'S EXPENSE. CAN REFORESTATION FUNDING REALLY MOVE

ITALY ON US MTN NEEDS? GUNDELACH MAY HAVE IN MIND BEEF-
ING UP THE MED PACKAGE THROUGH ADDITIONAL PROGRAMS
DESIGNED TO BUY OFF ITALY AND FRANCE, WHILE UK AND FRG
INTEREST IN AN OVERALL MTN SETTLEMENT, PLUS UK SPECIAL
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INTEREST IN WINE GALLON, COULD LEAD THEM TO DROP THEIR
OBJECTIONS TO BITS AND PIECES OF THE PACKAGE. FURTHERMORE,
EC ENLARGEMENT AND THE CONTINUING PRESSURE FROM ALL THE
PREFERENTIAL SUPPLIERS AROUND THE MEDITERRANEAN WILL CER-
TAINLY BE COMPLICATING FACTORS IN ANY FINAL EC DECISION
ON THE US CITRUS AND TOBACCO REQUESTS, WHICH GUNDELACH
MAY OR MAY NOT HAVE HAD IN MIND WHEN HE SPOKE WITH
MCDONALD. ALSO, IT CAN'T BE RULED OUT THAT GUNDELACH
MAY BE BLUFFING US WITH DELAY AS HIS IMMEDIATE OBJECTIVE
AND THAT HE, IN FACT, DOESN'T YET KNOW WHETHER HE CAN
PULL IT OFF OR NOT.

5. THE LAST COMPLICATION IS WHAT HAPPENED LAST WEEK IN
BREMEN. ON THE ONE HAND, THE COUNCIL PUBLICLY ENDORSED
A SEPT. 30 TARGET DATE FOR CONCLUDING CONSIDERATION OF
THE MEDITERRANEAN PACKAGE (SEE BREMEN 414). ON THE
OTHER HAND, WE UNDERSTAND THAT, IN THE CONTEXT OF AN
UNFORESEEN EUROPEAN COUNCIL DEBATE ABOUT CAP REFORM
(CABLE REPORT DUE FROM BONN BY SEPTTEL), ITALIANS CALLED
ATTENTION TO SERIOUS IMBALANCE BETWEEN AGRICULTURAL
EXPENDITURES IN FAVOR OF NORTHERN PRODUCTS (E.G., DAIRY)
AS OPPOSED TO MEDITERRANEAN PRODUCTS. ANDREOTTI
REPORTEDLY ALSO SUGGESTED A PROGRAM TO INCREASE ITALIAN
EXPORTS OF ORANGES. COUNCIL THEN APPARENTLY INSTRUCTED
COMMISSION TO PREPARE STUDY OF CAP REFORM FOR CONSIDER-
ATION BY EUROPEAN COUNCIL AT ITS MEETING NEXT DECEMBER.
GIVEN ITALIAN SPECIFIC REFERENCE TO ORANGES, THIS MAY
FURTHER COMPLICATE GUNDELACH'S EFFORTS IN GETTING A
CITRUS CONCESSION THROUGH EC BEFORE COUNCIL HAS HAD
DECEMBER DEBATE. INDEED, DISCUSSION AT BREMEN MAY HAVE
CALLED TIMING OF GUNDELACH'S STRATEGY INTO QUESTION,
ALTHOUGH IN LONG RUN A REAL EFFORT AT CAP REFORM COULD
BE TO OUR ADVANTAGE.

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6. I RECOMMEND AMBASSADOR STRAUSS TRY TO PIN GUNDELACH
DOWN ON JUST WHAT HE MEANS ABOUT THE MEDITERRANEAN LINK
AND THE RESULTS OF THE BREMEN DISCUSSION WHEN THEY MEET
ON JULY 11. HINTON

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